

Special City Council Meeting Minutes

**Tuesday, March 10, 2015
Library, 1st Floor Meeting Room
951 Spruce Street
7:00 PM**

Call to Order – Mayor Muckle called the meeting to order at 7:00 p.m.

Roll Call was taken and the following members were present:

City Council: ***Mayor Robert Muckle, Mayor Pro Tem Hank Dalton
City Council members: Jeff Lipton, Jay Keany,
Susan Loo, Ashley Stolzmann and Chris Leh***

Staff Present: ***Malcolm Fleming, City Manager
Heather Balser, Deputy City Manager
Kevin Watson, Finance Director
Kurt Kowar, Public Works Director
Meredyth Muth, Public Relations Manager
Nancy Varra, City Clerk***

UTILITY RATE INCREASE

Mayor Muckle requested a staff presentation.

Public Works Director Kowar reviewed the 2015 Utility Rate Increases and 2015 -2019 Rate Plan Projections.

2013, 2014, and 2015 Impacts:

- Increase in project construction costs
- Better loan interest rate and issuance costs
- Timing of project cash flow requirements
- 2013 Flood related impacts
- Updated Tap Fee revenues and projections
- Updated to reflect approved 2015-2019 Operations & Capital Improvements Budget

2015 Rate Increase Recommendations:

- Implement Cost of Service Adjustments for Residential & Non-Residential for Water & Wastewater Rates.
- Increase Wastewater (27%) rates.
- Implement Residential Average Winter Consumption (**AWC**) Sewer Rate Structure.

2013 Study Recommendations Cost of Service Adjustment:

- Residential Water increases by 32%.
- Non-Residential Water decreases by 27%.
- Residential Wastewater decreases by 13%.
- Non-Residential Wastewater increases by 57%.

2013 Study vs 2014 Update – Utility Rate Increase Review:

Rate increases from the 2013 Utility Rate Study compared with the current update:

<u>Utility</u>	<u>Proposed Rate Revenue Increase</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Water	0%	11%	11%	0%	0%
Wastewater	0%	20%	4%	0%	0%
Stormwater	0%	12%	1%	0%	0%

Recommended Rate Increases: Average Monthly Bill and Rate Increase Impact for Residential Customers:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Water	\$12.32	\$16.31	\$18.10	\$20.10	\$20.10	\$20.10
Sewer	\$20.69	\$22.00	\$26.40	\$27.45	\$27.45	\$27.45
Storm	\$4.23	\$4.23	\$4.74	\$4.78	\$4.78	\$4.78
Total Bill	\$37.24	\$42.54	\$49.24	\$52.33	\$52.33	\$52.42
\$ Change	-	\$5.30	\$6.70	\$3.09	\$0.00	\$0.09
% Change	-	14.2%	15.7%	6.3%	0.0%	0.2%

COUNCIL QUESTIONS AND COMMENTS

Council member Stolzmann stated there are a lot of ways to charge rates, such as fixed costs and water budget, but the question is what would be fair and equitable.

Council member Keany stated his understanding the increases would be spread out over the next three years.

Council member Lipton commented on Table 1 with respect to aligning utility rates with cost of service recommendations.

Council member Leh inquired whether the rates could be averaged out over the next five years as opposed to big increases in 2015 and 2016. Public Works Director Kowar explained they have tried to smooth out the rate increase over a three year period.

Council member Stolzmann addressed the water rate structure and stated when the existing rate structure was set up the Conoco Phillips property was using water; now that is vacant, commercial water usage is down. Public Works Director Kowar explained it will readjust itself. Public Works Director Kowar explained further the goal is to review the Utility annually to ensure equitability and sustainability with utility rates. In the event a very large user impacted current rate structures the City would consider changes to realign cost of service impacts.

Council member Lipton felt the rate structures were asking a lot of the residents. He stated it is becoming more and more difficult to explain the water rate increases to the residents. He stated his preference to smooth out the utility rates even more.

Mayor Pro Tem Dalton disagreed and stated in looking at the tables, the rate increases are not a lot of money.

Council member Leh commented on the commercial rate structure and requested clarification. Public Works Director Kowar explained there is an historic rate structure for multi-family.

Council member Stolzmann commented on the sub-group for commercial. Public Work Director Kowar explained Council member Stolzmann's comments were very accurate and the demand curves for multifamily represented commercial more than residential.

Council member Lipton voiced his appreciation for Mayor Pro Tem Dalton's perspective, however was frustrated at having to explain to the residents how the models will have to be readjusted and felt he would just be changing the story. He wanted to smooth out the hurt of the cost of the utility bill.

PUBLIC COMMENTS

Tom Phare, 808 W. Mahogany Circle, Louisville, CO reported looking at all the data and the cost of service. His interpretation of the data does not show the cost of service equity is as far off as the consultant suggests. He asked if the wastewater rates take the loan to the golf course into account.

Finance Director Watson confirmed the wastewater utility financial plan includes the loan to the golf course. He stressed the importance of collecting the amount of revenue

from each fund as presented. The cost of service adjustment refers to who pays for each of those revenue amounts. He explained the revenue cannot be smoothed any further because the lenders will want to see a certain amount of revenue to ensure payment for the debt service on the loan.

Public Works Director Kowar reviewed the current utility bill for an average residential customer and the utility bill for reflecting the cost of service adjustment. He addressed the FEMA reimbursement for the flood damage as the current numbers do include financing for the new Intake Building. The City continues to pursue FEMA funding and just received a \$300,000 grant for the Intake Building. Therefore staff does anticipate the cost covered by the City for the Intake Building will decrease, thus requiring less of a service adjustment in the future.

Finance Director Watson explained the City's financing model used to set rates is very reliant on tap fees and any downturn on development will affect this model. The loan agreement that will be presented on March 17 will include a maximum loan amount of \$43 million with a maximum interest rate of 3.25%. The current utility rate model contains a \$33 million loan at a rate of 2.25%.

Council member Keany stated his understanding the rate increases cannot be spread out over a period of more years because the revenue stream is needed to pay for the loans. Finance Director Watson confirmed the revenue increases, as presented, are needed for the loans.

Council member Stolzmann noted some capital projects can be delayed. Mayor Pro Tem Dalton agreed and stated the only project which could be moved out is the stormwater project.

Mayor Muckle felt something could be worked out to generate the money and slowly adjust the residential and non-residential rates to reach the total costs of service adjustment. He did not feel there was much difference in the models. He suggested increasing the rates earlier rather than later and looking at delaying some projects if necessary.

Mayor Pro Tem Dalton wanted to see a review of the utility rates annually.

Council member Stolzmann suggested the Water Committee meet at least quarterly and review the water use by customer class and the revenue by customer class.

Council member Leh noted low in-come residents will be affected by the utility rate increases and asked if there is a program or something the City can do to encourage non-profit organizations to help out. Finance Director Watson stated there are non-profit organizations such as Sister Carmen's who may help out. He noted the City gives grants every year to non-profits, such as Sister Carmen.

Public Works Director Kowar explained fixed income customers generally have low average winter consumption and would recognize a savings in sewer rates that would provide an offset to water rate increases.

Council member Lipton asked when the next time the water rates would be reviewed by the City Council. Mayor Muckle stated the City Council will review the water rates at their March 17th meeting.

Public Works Director Kowar agreed with Council that the Water Committee should review the utility rate structure. He explained every year during the budget process in October and November the water rates are reviewed.

City Manager Fleming inquired when the bids will come in for the Wastewater Project. Public Works Director Kowar stated the bids will come in April. The Water Committee will be asked to review and make a recommendation to the City Council.

COUNCIL DIRECTION: There was consensus for the Water Committee to review the utility rate increase at their April meeting and make a recommendation to the City Council. Staff was directed to present the Utility Rate Increase Plan for Council consideration at the March 17, 2015 City Council meeting.

ADJOURN

MOTION: Mayor Muckle moved for adjournment, seconded by Council member Keany. All were in favor. The meeting adjourned at 7:50 p.m.

Robert P. Muckle, Mayor

Nancy Varra, City Clerk